MULTIMEDIA UNIVERSITY

STUDENT ID NO | | | | | | | | | | |

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

DMG5024 – MANAGEMENT ACCOUNTING 2

(All Sections / Groups)

3 OCTOBER 2023
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 5 questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Part A

Mama's Senses Food Sdn. Bhd. is a company that manufactures various types of Italian pasta and sauces in Malaysia. Due to high costs of producing its oat pastas, the Company Director planned to purchase the oat pastas from FG Noodles Pte. Ltd., an oversea company at RM3.80 per packet with minimum order of 100,000 packets. The details of the company's batch production of 100,000 packets of oat pasta are as shown below:

	Per batch RM
Direct materials	160,000
Direct labours	45,000
Manufacturing overheads	200,000
Total production costs	405,000

Based on the Director's decision, the company's accountant estimates and provide the following information:

i. The oat pasta's selling price is RM6 per packet.
ii. The manufacturing overhead costs consist of 30% variable and 70% fixed.
iii. It was estimated that RM84,000 of fixed manufacturing overhead can be eliminated if purchased.
iv. 15% of the production capacity will be unused if purchase the oat pasta.

Required

(a) Using the incremental analysis determine whether Mama's Senses Food Sdn. Bhd. should purchase from FG Noodles Pte. Ltd. or continue to produce 100,000 packets of oat pasta. Explain your answer. (8 marks)

(b) If Mama's Senses Food Sdn. Bhd. can earn an extra profit of RM35,000 from utilise the unused capacity, show the extend of the analysis in (a) and state whether the company should purchase or produce its oat pasta. *(Note: Explanation is not required.)* (2.5 marks)

Part B

Below are the three main fiber products produced by Billion Fibers Industries Berhad:

Products	Quantity produced (in units)	Selling price at split-off RM	Additional processing costs RM	Selling price after processing RM
Fiber A	5,000	12	10,000	15
Fiber B	6,000	16	28,000	20
Fiber C	8,000	18	32,000	24

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Required

Prepare the analysis and explain which products should sell at split off point or process further. (9.5 marks)

(Total: 20 marks)

QUESTION 2

Part A

Geetha Tailoring Company is a small tailoring business owned by Mrs. Geetha specialised in sewing traditional Indian clothes and has operate its business for more than one year. Yesterday, Mrs. Geetha received an order from Selangor Indian Women Association to sew 60 sarees. Due to the specific requirements and design, Mrs. Geetha requires to invest RM5,000 for new equipment to sew the sarees and listed down are the estimated costs for 60 sarees:

Costs	RM
Direct materials	1,800
Direct labours wages (include part timers)	2,400
Manufacturing overhead costs	3,000
Selling and administrative expenses	1,800

Mrs. Geetha computed that 65% of the manufacturing overhead costs are variable and remaining are fixed meanwhile 30% of the selling and administrative expenses are variable and remaining are fixed. Mrs. Geetha also emphasised her desire to earn RM40 for per unit sewed.

Required

Based on the information provided, compute the markup percentage and target selling price if Geetha Tailoring Company applies variable costing approach. *(Note: Answer at the nearest two decimals and cents.)* (7.5 marks)

Part B

Real Roof & Renovation Constructions Berhad is a company that provides roof repairs services and renovation works. The manager, En. Yusri received a job to repair roof from Modern Brilliances Condominiums in which is expected to be completed in 8 hours and would require to purchase the materials at RM18,000 for the repairs. The repair works will be conducted on early January 2023, next month.

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The following are the budgeted costs data prepared by the company's Finance Manager for the year 2023 based on previous year's financial performances:

	Time charges RM	**Repairs and renovation charges RM**
Worker's wages and benefits	10,800,000	-
Site Supervisor's salary and benefits	36,000,000	200,000
Managers and admin staff salaries and benefits	-	360,000
Other overhead costs*	540,000	120,000

* Costs includes supplies, petrol, insurances, depreciation and rental on equipment.

The Finance Manager also estimated that there will be 180,000 hours of roof repairs and renovation works due to weather changes and the total materials costs will increase to RM1,200,000 due to price hike on materials in the year 2023. The company director sets a minimum profit of RM10 per hour and 15% on repairs and renovation charges.

Required

(a) Compute the labour rate per hour and the material handling percentage. *(Note: Answer at nearest 2 decimals.)* (9 marks)

(b) Prepare the bills and compute the total amount to be billed to Modern Brilliances Condominiums on the roof repairs. (*Note: Show all workings.*) (3.5 marks)

(Total: 20 marks)

QUESTION 3

Part A

Excel Plastic Containers Sdn. Bhd. is a company that produces plastic containers for general use and storage. The company has two supporting departments known as Packaging and Quality Control that are necessity to the containers production in its two main production departments, Mixing and Moulding. Below are the records of the cost incurred in June 2023:

	Support Departments		**Operating Departments**	
	Packaging	**Quality Control**	**Mixing**	**Moulding**
Department costs (RM)	400,000	600,000	1,400,000	800,000
Support work from packaging	-	20%	50%	30%
Support work from quality control	10%	-	60%	30%

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Required

Allocate the costs in supporting departments to two operating departments using direct method. *(Note: Show all workings.)* (7.5 marks)

Part B

Lucinda Dobi Shop provides laundry service includes washing, drying and folding clothes to its customers. Every year, Lucinda, the business owner estimates a total budgeted fixed costs of RM750,000 that derives from yearly deprecation expenses of machines and equipment, shop rent, workers' salaries and other fixed administrative expenses. Lucinda also set the budgeted costs at RM10 per service. The following are the data collected for the six months of 2023:

Type of services	Budgeted number of services estimated	Actual number of services
Washing	100,000	102,450
Drying	90,000	76,050
Folding	60,000	52,500

Required

Based on the above information, assume the company is applying the single rate method:

(i) Compute the budgeted fixed cost rate. (2.5 marks)

(ii) Compute the budgeted costs rate based on answer in (i). (1.5 marks)

(iii) Allocate the service costs to each type of service. (2 marks)

(Note: Show all workings.)

Part C

Good Juice Factory Berhad is a company that produces various types of fruit juices. On 1 August 2023, the company started to apply activity based costing in allocating its manufacturing overhead costs. Listed are the estimated manufacturing overhead costs and cost drivers prepared by the company's costs accountant for the month of August 2023:

Activity Costs Pools	**Estimated overhead (RM)**	**Expected usage per activity**	**Actual usage***
Cleaning fruits	8,000	4000 orders	3,880 orders
Cutting	10,000	2,500 labour hours	2,520 labour hours
Blending	12,000	5,000 machine hours	4,500 machine hours

** Note: The actual usage computed for each activity up to 31 August 2023.*

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Required

Based on the information provided, compute the total overhead applied for the month of August based on activity based costing approach. *(Note: Show all workings.)* (6.5 marks)

(Total: 20 marks)

QUESTION 4

Part A

Go Dream Slumber Berhad is one of the main suppliers of Sea Wave (HK) Pte. Ltd., an oversea company that sells pillows, bolsters and mattress covers. The company received an advance order for 200,000 units of mattress cover M for queen size from Sea Wave (HK) Pte. Ltd. for the fourth quarter of year 2023 in which was summarised below:

Year 2023	**Unit Sales Ordered**		
	October	**November**	**December**
Mattress cover M (Queen sizes)	60,000	55,000	**X**

According to the Warehouse Manager, there is a balance of 4,800 units of mattress cover M kept in the storeroom on 30 September 2023. The company applies a policy of maintaining 10% of next month's anticipated sales as finished goods inventory at the end of each month. The Sales Manager estimates that the quantity of mattress cover M ordered for the month of January 2024 is expected to be 80% of current year's December's unit sales ordered.

Required

Based on the information above,

(i) Compute **X** units of mattress cover M ordered by Sea Wave (HK) Pte. Ltd. for the month of December. (2 marks)

(ii) Prepare the Production Budget for mattress cover M for the fourth quarter period of the year 2023. (9 marks)

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Part B

Best Business Solutions Berhad is a marketing consultation company and closes its account every end of December annually. The company charges consultation fees in per hour basis for each consulting service provided. Based on their previous accounting records, the company normally billed its clients RM36,000 per month on the consultation fees. The company has estimated that 40% of the amount billed will be received in the current quarter, 30% on the following quarter and the balance at the next following quarter year. On 31 December 2022, the company's accounts clerk informed that the accounts receivable shown a balance of RM12,000 and the amount is expected to be collected on the first quarter year of 2023.

Required

Prepare the schedule of expected collection from client for the year 2023. (9 marks)

(Total: 20 marks)

QUESTION 5

Part A

In the year 2020, Modern Food Processing Berhad introduced naturally made straws to replace normal plastic straws and was made from plant starch. Due to its safe consumption and its easily decomposed nature after used, the company received huge demands from the local cafes and fast-food restaurants. At the beginning of August 2023, the company production manager estimated that 300,000 packets of straws will be produced in August to cater the demand in the market. Below are the standard costs to produce one packet of straws prepared by the company's Costs Manager on 1 January 2023:

	Standard Quantity	**Standard Price**
Direct materials	0.25 kilogram	RM 6 per kilogram
Direct labour	0.1 hours	RM10 per hour

At the end of August 2023, the factory supervisor provides the information regarding the straw production in August:

i. The actual straws produced were 325,000 packets of straws during the month.

ii. A sum of 78,600 kilograms of plant starch was purchased at RM479,460 and were fully used in the straw production.

iii. A total of 32,000 labour hours were incurred in the straw production and the total wages paid to the factory workers were RM336,000

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Required

Compute and show workings for:

(a) Total material variance (3 marks)

(b) Total labour variance (3 marks)

Part B

D'Tasty Nut Production Berhad is a company that manufactures peanut based products. In the third quarter of year 2023, the company used RM78,000 to process 100,000 raw peanuts into produce 80% roasted peanuts and 20% caramel peanuts. Both products undergo the same production process up to split off point. The roasted peanut is sold at RM6 per packet meanwhile caramel peanut is sold at RM8 per packet.

At the same quantity, the roasted peanut can be further processed into peanut butter while caramel peanut can be processed further into energy bar. The peanut butter can be sold at RM20 per bottle and energy bar can be sold at RM24 per box. The additional processing costs incurred for peanut butter and caramel peanut are RM410,000 and RM270,000.

Required

Allocate the joint costs for both peanut butter and energy bar using:

(a) Sales value at split off method (5 marks)

(b) Net Realisable Value (NRV) method (9 marks)

(Total: 20 marks)

End of Paper